



HOW TO ASSESS SUPPLIER RESPONSIBILITY (TECHNICALLY & FINANCIALLY)

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Objectives

- Why analyze supplier responsibility? Manage risk in a high profile public environment with a wide array of contracts, geographic diversity and degrees of complexity.
- What factors can be analyzed and how? Supplier responsibility is broad and analysis must be tailored to the specific transaction.
- What if you have a non-responsible supplier and have to award? How do you mitigate the risk?
- The Procurement Division's Supplier Base Management Program -- a resource for you.



Why Analyze Supplier Responsibility?

- Source Selection addresses how the supplier was determined.
 - Competitive or Non-competitive
 - Responsive Supplier
 - Responsible Supplier
- Price/Cost Analysis
- Analyzing responsibility assesses the risk of unsuccessful contract performance.





How Much Analysis is Enough?

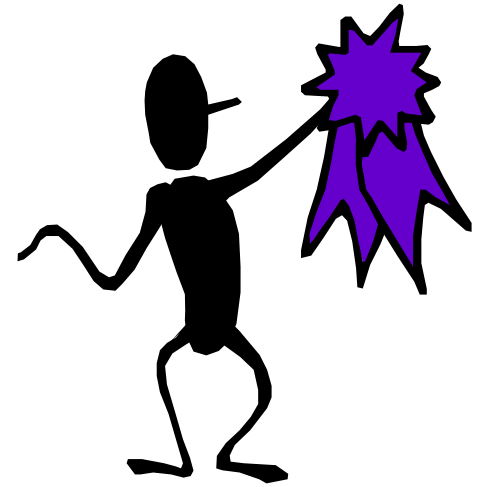
- Not every factor is applicable to every procurement. Cf: IT vs. Goods vs. Services
- Evaluate factors with high risk of non-performance and determine data to consider.
- High dollar/complexity/risk needs more
 - health/safety concerns -- emerging market
 - politically sensitive -- affiliations
 - production, distribution & quality concerns



Responsible Supplier Defined

A supplier deemed to satisfactorily demonstrate some or all of the following, as applicable to the specific procurement:

- ☞ experience;
- ☞ facilities;
- ☞ reputation;
- ☞ financial resources; and
- ☞ other factors existing at time of contract award



(2 Cal. Code of Regulations, Section 1890(d))



Experience

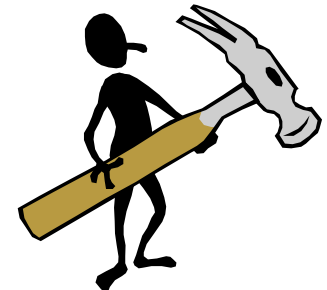
- Adequate experience in selling and providing post-purchase service to accounts similar to the State.
- Satisfactory history of performance.
- Adequate quality assurance program.





Facilities

- Necessary production and technical equipment and facilities.
- Either possesses the necessary organization, experience, operational controls and technical skills or has legally binding agreements to secure these resources.
- Capacity to comply with delivery schedule considering existing commitments.





Reputation

- Satisfactory history of integrity.
- Qualified and eligible to receive an award under all applicable laws and regulations.
 - Clean Air & Water
 - DFEH Nondiscrimination Program
- Not currently debarred or suspended from contracting activity.





Financial Resources

- Adequate financial resources to perform the contract or the ability to obtain them.
- Adequate cost accounting system.





For financial analysis, you can:

- Request audited financial statements.
- Request bank/customer references.
- Analyze published annual reports of publicly traded companies.
- Calculate various ratios from financial information and compare to industry average performance.
- Use Dun & Bradstreet reports.





Other Factors

- The ability to satisfy special capability standards when required by a unique procurement.





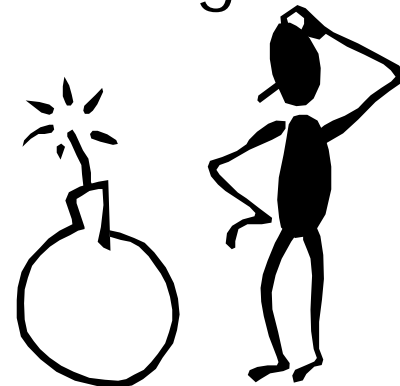
Results of the Analysis

- Any bidder that is non-responsive or non-responsible (or both) may be deemed ineligible for award.
- The buyer must document this decision and advise the bidder. The bidder may request a hearing.
- A non-responsible bidder may also be removed from the list of pre-qualified suppliers (2 CCR Sect. 1890)



Results, continued

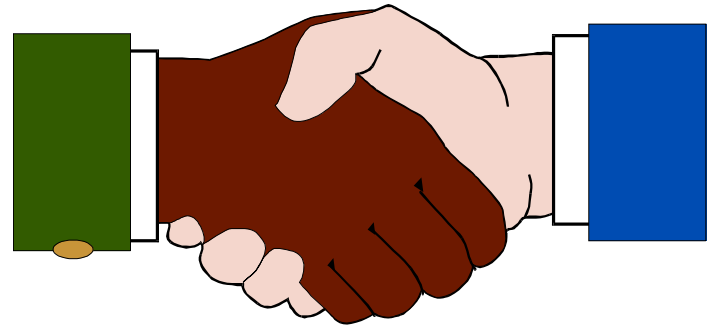
- Award to a supplier whose responsibility is at issue, requires the buyer to reduce risk of non-performance by additional contract requirements/post-award administration.
- If you must award to a supplier despite risks of non-performance, obtain management approval to proceed.





Supplier Base Management Program

- Procurement Division's SBM Program
 - Pre-qualification
 - Past Performance
 - Supplier Development
 - Rationalization





Pre-Qualification

- Registration to be placed on a bid list Vs. true qualification that determines supplier responsibility.
 - Properly match bid list to the procurement.
 - Add other qualified suppliers, if necessary. PD can help identify them or survey suppliers to determine additional capabilities. OSBCR can help identify certified small and disabled veteran business enterprises.



Past Performance

- Delivery and quality performance -- use quantifiable, objective information (in databases or other records)
 - Compare feedback from suppliers and users ...do they agree? If not, why not?
- Real time information -- sometimes past history is not relevant to current situation, especially in IT.



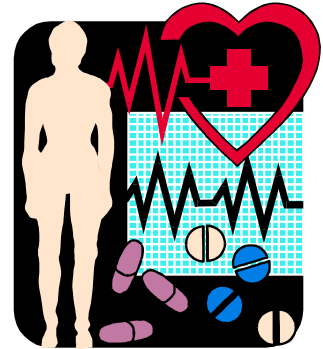
Supplier Development

- Use benchmarking techniques, logic and common sense...
 - Identify new suppliers or suppliers branching into new industries.
 - Work with existing suppliers to improve poor performance up to industry standards (or explain why they operate differently).
 - See California Acquisition Manual 3.3.5



Rationalization

- Priorities:
 - Health & Safety
 - Dollars & Risk
 - Highest Return for Level of Effort
- Legislative changes/analysis
- Establishing policy
- Monitoring market/technology trends





Summary

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Program Considerations

- Categorize! Prioritize! Plan! Schedule!
- Become knowledgeable in your industry groups/ market sectors (or consult an expert).
- Consider the interests of all stakeholders. Communicate!!!
- Build evaluation techniques into solicitations and achieve agreement with all parties on requirements...before contract award.
- Distinguish between capability and capacity.



Parting Thought

A good statement of work
requires responsible suppliers
to ensure proper contract
performance.

Analyze!

Evaluate!

Make the right choice!